

LANDFILL OF NORTH IOWA  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

December 31, 2009

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## LANDFILL OF NORTH IOWA

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Byron Ruiter	Board Chairman*	City of Forest City
David Abele	Board Member*	City of Klemme
John Waddingham	Board Member*	Franklin County
Robert Amosson	Board Member	Cerro Gordo County
Herbert Thompson	Board Member	City of Kensett
Joey Dickman	Board Member	City of Meservey
Lon Badker	Board Member	City of Manly
John Podgorniak	Board Member	City of Northwood
Charles Meyers	Board Member	City of Plymouth
Mark Brosz	Board Member	City of Rock Falls
Kenny Nielsen	Board Member	City of Rockwell
Paula Lubkeman	Board Member	City of Sheffield
George Simpson	Board Member	City of Ventura
Robert Michaelis	Board Member	City of Hanlontown
Laura Bradley	Board Member	City of Popejoy
Joy Baker	Board Member	City of Thornton
Marge Swenson	Board Member	City of Swaledale
Tony Nelson	Board Member	City of Clear Lake
Lon Allan	Board Member	City of Coulter
Mary Nagel	Board Member	City of Dougherty
Ray Silver	Board Member	City of Geneva
Judy Harper	Board Member	City of Hansel
Marloe Ellingson Jr.	Board Member	City of Joice
Merle Wagner	Board Member	City of Latimer
Max Weaver	Board Member	City of Mason City
Doug Tarr	Board Member	City of Hampton
George Anderson	Board Member	City of Nora Springs
Kyle Tabbert	Board Member	City of Grafton
Brent Hinson	Board Member	City of Garner
William Rowland	Director	

\* - Executive Committee member

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of the  
Landfill of North Iowa

We have audited the accompanying financial statement of the Landfill of North Iowa as of and for the year ended December 31, 2009. This financial statement is the responsibility of the Landfill's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Landfill of North Iowa as of and for the year ended December 31, 2009 and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2010 on our consideration of the Landfill of North Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

*Williams & Associates, PLLC*

Williams & Associates, P.L.C.  
Certified Public Accountants

Mason City, Iowa  
February 4, 2010

LANDFILL OF NORTH IOWA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Landfill of North Iowa provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Landfill of North Iowa is for the year ended December 31, 2009. We encourage readers to consider this information in conjunction with the Landfill's financial statement, which follows.

**2009 FINANCIAL HIGHLIGHTS**

- The Landfill's operating receipts decreased 16.8%, or approximately \$618,400 from 2008 to 2009.
- The Landfill's operating disbursements increased approximately \$13,000 or .7% from 2008 to 2009.
- The Landfill's net assets decreased 8.7%, or approximately \$750,833 from December 31, 2008 to December 31, 2009.

**USING THIS ANNUAL REPORT**

The Landfill has elected to present its financial statement on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and related assets and liabilities. Under the Landfill's cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Landfill of North Iowa's financial statement. The annual report consists of a financial statement and other information as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Landfill's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Landfill's operating receipts and disbursements, non-operating receipts and disbursements and whether the Landfill's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

## LANDFILL OF NORTH IOWA

### FINANCIAL ANALYSIS OF THE LANDFILL

#### Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of this statement is to present the receipts received by the Landfill and the disbursements paid by the Landfill, both operating and non-operating. The statement also presents a financial snapshot of the Landfill's cash balance at year end. Over time, readers of the financial statement are able to determine the Landfill's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from members of the Landfill. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements include interest on investments, and capital improvements. A summary of cash receipts, disbursements and changes in net assets for the years ended December 31, 2009 and 2008 are presented below:

	2009	2008
OPERATING RECEIPTS:		
Tipping fees and gate charges	\$ 2,862,883	\$ 3,487,530
City and county membership fees	107,079	108,105
Woodchip sales	9,300	23,250
RCC reimbursements	73,634	47,704
Miscellaneous	9,527	14,186
Total operating receipts	<u>\$ 3,062,423</u>	<u>\$ 3,680,775</u>
OPERATING DISBURSEMENTS:		
Salaries and benefits	763,884	714,226
Insurance	37,413	41,630
Supplies	37,230	39,680
Promotion	39,950	42,293
Professional fees	84,620	48,775
Fuel	98,634	170,766
Utilities	32,514	34,063
Building maintenance	53,358	28,929
Daily cover	38,972	43,111
Monitoring and analysis	23,633	26,790
Recycling	76,405	76,091
Hazardous waste disposal	129,578	78,762
Equipment repairs and maintenance	97,272	95,547
Department of Natural Resources tonnage fee	265,816	329,103
Miscellaneous	70,330	66,499
Total operating disbursements	<u>\$ 1,849,609</u>	<u>\$ 1,836,265</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>\$ 1,212,814</u>	<u>\$ 1,844,510</u>

## LANDFILL OF NORTH IOWA

### Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets (continued)

#### NON-OPERATING RECEIPTS (DISBURSEMENTS)

Interest income	\$ 265,464	\$ 331,675
Land rent	3,060	3,600
Proceeds from sale of equipment	112,000	--
Capital improvements - equipment	(346,097)	(118,000)
Capital improvements - buildings	(109,175)	(504,635)
Capital improvements - new cell	<u>(1,888,899)</u>	<u>(691,690)</u>
Net non-operating disbursements	<u>\$ (1,963,647)</u>	<u>\$ (979,050)</u>
 CHANGE IN CASH BASIS NET ASSETS	 \$ (750,833)	 \$ 865,460
 NET ASSETS – CASH BASIS BEGINNING OF YEAR	 <u>8,602,809</u>	 <u>7,737,349</u>
 NET ASSETS – CASH BASIS END OF YEAR	 \$ 7,851,976 =====	 \$ 8,602,809 =====

In fiscal 2009, operating receipts decreased by \$618,352, or 16.8%. The decrease was primarily a result of gate fees decreasing by \$624,647 due to a decrease in waste received. In fiscal 2009, operating disbursements increased by \$133,751, or 7.3%, from fiscal 2008.

A portion of the Landfill's net assets, \$4,983,766 (63.5%) is restricted for closure and postclosure care. State and federal laws and regulations require the Landfill to place a final cover on the Landfill site and perform certain maintenance and monitoring functions at the Landfill site for a minimum of thirty years after closure. The remaining net assets, \$2,868,210 (36.5%) are unrestricted net assets that can be used to meet the Landfill's obligations as they come due. \$1,435,567 of these unrestricted funds has been designated by the Board of Directors to be used for specific purposes and are maintained in the following accounts:

Capital Improvement Fund	\$ 718,722
Equipment Fund	<u>716,845</u>
	<u>\$ 1,435,567</u> =====

#### LONG-TERM DEBT

At December 31, 2009, the Landfill had no long-term debt outstanding.

#### ECONOMIC FACTORS

The Landfill of North Iowa continued to show excess of operating receipts over operating disbursements. The Landfill's cash net assets decreased, however, due to the costs associated with construction of a new cell. The decrease in gate receipts and current condition of the economy in the state continue to be a concern for Landfill officials.

Some of the challenges for the Landfill to meet are:

- Facilities and related equipment require constant maintenance and replacement.
- Budgeting, anticipating increases in cost and possible reduction in income due to the slowing economy.

## LANDFILL OF NORTH IOWA

- Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility. The annual deposits for closure and postclosure care will greatly increase with the opening of a new cell.
- The Landfill's need to expand its current facility resulting in not only the cost of this expansion but also increased closure and postclosure cost considerations.
- The requirements of federal and state regulations and the increasing costs of compliance.

### CONTACTING THE LANDFILL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Landfill's finances and to show the Landfill's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Landfill at 15942 Killdeer Avenue, Clear Lake, IA 50428 or by calling 641-357-5452.

LANDFILL OF NORTH IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES  
IN CASH BASIS NET ASSETS

As of and for the Year Ended December 31, 2009

OPERATING RECEIPTS	
Tipping fees and gate charges	\$ 2,862,883
City and county membership fees	107,079
Woodchip sales	9,300
RCC reimbursements	73,634
Miscellaneous	<u>9,527</u>
Total operating receipts	<u>3,062,423</u>
OPERATING DISBURSEMENTS	
Salaries and benefits	763,884
Insurance	37,413
Supplies	37,230
Promotion	39,950
Professional fees	84,620
Fuel	98,634
Utilities	32,514
Building maintenance	53,358
Daily cover	38,972
Monitoring and analysis	23,633
Recycling	76,405
Hazardous waste disposal	129,578
Equipment repairs and maintenance	97,272
Department of Natural Resources tonnage fee	265,816
Miscellaneous	<u>70,330</u>
Total operating disbursements	<u>1,849,609</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>1,212,814</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)	
Interest income	265,464
Land rent	3,060
Sale of equipment	112,000
Capital improvements – equipment	(346,097)
Capital improvements – buildings	(109,175)
Capital improvements – new cell	<u>(1,888,899)</u>
Net non-operating disbursements	<u>(1,963,647)</u>
DECREASE IN CASH BASIS NET ASSETS	(750,833)
NET ASSETS – CASH BASIS BEGINNING OF YEAR	<u>8,602,809</u>
NET ASSETS – CASH BASIS END OF YEAR	\$ 7,851,976
	=====
CASH BASIS NET ASSETS	
Restricted for:	
Closure	\$ 2,297,679
Post closure care	<u>2,686,087</u>
Total restricted net assets	4,983,766
Unrestricted	<u>2,868,210</u>
TOTAL CASH BASIS NET ASSETS	\$ 7,851,976
	=====

See Notes to Financial Statement

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

Note 1. Summary of Significant Accounting Policies

The Landfill of North Iowa is an inter-governmental agency, established in accordance with the provisions of Chapter 28E of the State Code of Iowa (Inter-governmental Cooperation Agreement). The purpose of the Landfill is to provide for the economic disposal of all solid waste produced or generated within each member city, town, and unincorporated portions of North Central Iowa. The governing body of the Landfill is composed of one representative from each member.

Reporting Entity

For financial reporting purposes, the Landfill has included all funds, organizations, account groups, boards, commissions and authorities. The Landfill has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Landfill are such that exclusion would cause the Landfill's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Landfill to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Landfill. The Landfill of North Iowa has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Landfill are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal outgoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting

The Landfill of North Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Landfill is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items including the estimated payables for closure and post-closure care costs. Accordingly, the financial statement does not present the financial position and results of operations of the Landfill in accordance with generally accepted accounting principles.

Restricted Cash Basis Net Assets

Funds set aside for payment of closure and postclosure care are classified as restricted.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

Note 2. Pension and Retirement Benefits

The Landfill of North Iowa contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the Landfill is required to contribute 6.35% of annual payroll. Contribution requirements are established by State statute. The Landfill's contribution to IPERS for the years ended December 31, 2009, 2008 and 2007 were \$34,696, \$31,792 and \$28,205 respectively, equal to the required contributions each year.

Note 3. Cash and Investments

The Landfill's deposits at December 31, 2009 were covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. As noted in the Schedule of Findings on page 16, the accrued interest on several certificates of deposit was not covered by Federal depository insurance.

The Landfill is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Landfill had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

Note 4. Closure and Postclosure Care Cost

To comply with Federal and State regulations, the Landfill is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and landfill gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

Note 4. Closure and Postclosure Care Cost

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period.

Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total future closure/post closure costs for the open area of the Landfill of North Iowa have been estimated at \$3,501,140 as of December 31, 2009.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Landfill has begun to accumulate resources to fund these costs and, at December 31, 2009, assets of \$4,983,766 are restricted for these purposes. They are reported as restricted net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-113.14(3) of the Iowa Administrative Code (IAC), the Landfill is required to demonstrate financial assurance for any unfunded costs. The Landfill has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Landfill must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Landfill is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

The Landfill finished construction of a new cell during the year ended December 31, 2009. The opening of this new cell will increase closure and postclosure cost estimates and required annual deposits for 2010 and subsequent years.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

Note 5. Solid Waste Tonnage Fees Retained

The Landfill retains solid waste tonnage fees in accordance with Chapter 455B.310 of the Code of Iowa. At December 31, 2009, the Landfill had no unspent tonnage fees.

Note 6. Risk Management

The Landfill is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 577 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and if insufficient, by the subsequent year's member contributions.

The Landfill's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended December 31, 2009 were \$37,916.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

LANDFILL OF NORTH IOWA  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009

Note 6. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The Landfill does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at December 31, 2009, no liability has been recorded in the Landfill's financial statements. As of December 31, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

Note 7. Compensated Absences

Landfill employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Landfill until used or paid. The Landfill's approximate liability for earned vacation payments at December 31, 2009 was \$11,400.

Note 8. Major Customers

During the year ended December 31, 2009, the Landfill received approximately 55% of its gate receipts from the following three major customers:

Customer A	\$604,887
Customer B	507,814
Customer C	453,147

Note 9. Designated Funds

The Landfill maintains designated funds in separate investment accounts which are identified for specific purposes, as follows:

Capital Improvement Fund	\$ 718,722
Equipment Fund	<u>716,845</u>
	\$ 1,435,567
	=====

**WILLIAMS & ASSOCIATES, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Members of the  
Landfill of North Iowa

We have audited the accompanying financial statement of the Landfill of North Iowa as of and for the year ended December 31, 2009, and have issued our report thereon dated February 4, 2010. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Landfill of North Iowa's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of non-compliance that is required to be reported under Government Auditing Standards. The instance of non-compliance is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Landfill's operations for the year ended December 31, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statement of the Landfill. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Landfill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Landfill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Landfill's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Landfill's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Landfill's financial statement that is more than inconsequential will not be prevented or detected by the Landfill's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financing reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood a material misstatement of the financial statement will not be prevented or detected by the Landfill's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

The Landfill of North Iowa's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Landfill's responses, we did not audit those responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Landfill of North Iowa and other parties to whom the Landfill may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Landfill of North Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Williams & Associates, PLLC*

Williams & Associates, P.L.C.  
Certified Public Accountants

Mason City, Iowa  
February 4, 2010

LANDFILL OF NORTH IOWA

SCHEDULE OF FINDINGS

Year ended December 31, 2009

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

09-A Segregation of Duties – As noted in prior years, the Landfill does not have the number of employees necessary for adequate segregation of duties. One individual has control over account billings, collecting, depositing, posting and reconciling receipts for which minimal compensating controls exist.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. Management should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The Landfill is aware that this condition exists and will review our current procedures to obtain the maximum segregation of duties possible.

Conclusion – Response accepted.

09-B Scale Tickets are not Pre-numbered – Scale ticket numbers are computer generated and may be voided or edited at any time making it difficult to properly account for voided or edited tickets.

Recommendation – The Landfill management should review voided and edited ticket reports from the PDOX system to insure edited scale tickets were changed for appropriate reasons.

Response – The scale ticket exception reports will be reviewed on an ongoing basis by the Landfill Director to ensure the propriety of voided and edited tickets. The reports will also be routinely reviewed by the Executive Committee of the Board of Directors.

Conclusion – Response accepted.

**Other Findings Related to Statutory Reporting:**

09-1 Questionable Expenses – We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

09-2 Travel Expenses – No expenditures of money for travel expenses of spouses of Association officials or employees were noted.

09-3 Board Minutes – No transactions were found that we believe should have been approved in the Association minutes but were not.

09-4 Deposits and Investments – Several certificates of deposit were invested at the FDIC insurance limit of \$250,000. Interest accrued on these certificates would not be covered by federal deposit insurance as required by Chapter 12B.7a of the Code of Iowa.

Recommendation – The Landfill should invest in certificates of deposits at amounts less than the \$250,000 federal deposit insurance limit. This will ensure that the accrued interest as well as certificate of deposit principal will be covered by federal deposit insurance.

Response – Funds invested in future certificates of deposits will be below the federally insured limit to ensure accrued interest will be covered by federal insurance.

Conclusion – Response accepted.

LANDFILL OF NORTH IOWA

SCHEDULE OF FINDINGS

Year ended December 31, 2009

09-5 Solid Waste Fees Retainage – During the year ended December 31, 2009, the Landfill used or retained the solid waste fees in accordance with Chapter 455B.310(3) and (4) of the Code of Iowa.

09-6 Financial Assurance – For the year ended December 31, 2009, the Landfill has demonstrated financial assurance for closure and postclosure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The amount the Landfill has restricted for closure and postclosure care at December 31, 2009 exceeds the estimated total costs and, accordingly, the costs are fully funded.

Total estimated costs for closure and postclosure care	\$ 3,501,140
	=====
Amount the Landfill has restricted and reserved for closure and postclosure care at December 31, 2009	\$ 4,983,766
	=====